GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3231
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Involvement of Financial Institutions in Stashing Black Money
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government has taken cognizance of involvement of any banks and financial institutions in helping to hide or transfer black money out of the country; and
(b) if so, the details thereof and the action taken by the Government thereon?

Answer

(a) & (b): Whenever the cases involving remittance of black money abroad or illegal remittance of money abroad are detected, appropriate action is taken by relevant law enforcement agencies such as Income Tax Department, Enforcement Directorate (ED), Central Bureau of Investigation (CBI) etc. Such action includes action against banks and financial institutions if their involvement is found. However, data regarding all such cases and the amount of money sent abroad in each such case is not maintained centrally. Further, disclosure of information regarding specific taxpayers is prohibited except as provided under section 138 of the Income-tax Act, 1961.
The Government has taken several measures to effectively tackle the issue of black money, particularly black money stashed away abroad. Such measures include policy-level initiatives, effective enforcement actions on the ground, putting in place robust legislative and administrative frameworks, systems and processes with due focus on capacity building and data integration and mining through increasing use of information technology. Major steps taken during the last three years in this regard include the following:
(i) The SIT on black money was constituted by the Government under the chairmanship and vice chairmanship of two former Judges of Hon'ble Supreme Court through Notification dated 29th May 2014. The SIT has so far submitted 5 reports to the Hon'ble Supreme Court.
(ii) India has proactively joined the global efforts to implement a uniform global standard on Automatic Exchange of Information on a fully reciprocal basis facilitating exchange of information regarding persons hiding their money including in offshore financial centres and tax havens through multilayered entities with non-transparent ownership
(iii) Double Taxation Avoidance Agreements (DTAAs) with other countries have been renegotiated to bring the Article on Exchange of Information to International Standards and India's Treaty Network has been enlarged by signing new DTAAs and TIEAs. As on January 2017, India had tax treaties with 139 countries/foreign jurisdictions, including Singapore, for exchange of information for curbing of black money.
(iv) India and Singapore also amended the DTAA for avoidance of double taxation and prevention of fiscal evasion with respect to taxes on income, by signing a Third Protocol in December 2016. The Third Protocol provides for source based taxation of capital gains arising on transfer of shares in a company to enable curbing revenue loss and prevention of double non-taxation.
(v) The Government has proactively engaged with foreign governments for exchange of information under available instruments. As part of investigations in undisclosed foreign asset cases of Indians during last 3 years, there has been about three fold increase in number of requests made by the Indian competent authorities under tax treaties to their counter parts abroad.
(vi) A comprehensive law − 'The Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015' was enacted which has come into force w.e.f. 01.07.2015 to specifically and more effectively deal with the issue of black money stashed away abroad.
(vii) Willful attempt to evade tax etc. under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015 was made a scheduled offence under PMLA, 2002
(viii) Attachment and confiscation of property equivalent in value held within the country where the property/proceeds of crime is taken or held outside the country has been enabled by amending the Prevention of Money-laundering Act, 2002 through the Finance Act, 2015.
(ix) Enforcement actions have been intensified in high impact cases, inter alia, with a view to prosecute the offenders at the earliest possible. Substantial increase in criminal prosecutions in undisclosed foreign assets cases has strengthened credible deterrence against tax evasion.
(x) The information collection and enforcement mechanism has been strengthened and streamlined, inter alia, through extensive use of information technology & capacity building.